

If a taxpayer that is paying on the gross sales (accrual) basis wishes to change to the gross receipts basis, it must notify Department processing personnel in writing of the proposed change. See 86 Ill. Adm. Code 130.401. (This is a GIL).

December 28, 1999

Dear Xxxxx:

This letter is in response to your letter dated November 23, 1999. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 2 Ill. Adm. Code 1200.120(b) and (c), enclosed.

In your letter, you have stated and made inquiry as follows:

We would like to express our intention to change our sales tax reporting method from the gross sales (accrual) to the gross receipts method as soon as possible.

We would greatly appreciate it if you would be able to give us some guidelines in order to ensure proper reporting method transition.

Thank you very much.

Please be advised that if a taxpayer that is paying on the gross sales (accrual) basis wishes to change to the gross receipts basis, it should notify our processing personnel in writing of the proposed change. You can notify our processing personnel by attaching a letter to your next month's return stating that the company has elected to change from the gross sales (accrual) method to the gross receipts method. See the enclosed copy of 86 Ill. Adm. Code 130.401.

When a taxpayer makes the change to the gross receipts method from the gross sales (accrual) method, it should use the "wash-out" procedure to reduce reporting problems when receipts on account are received in a month subsequent to the month of sale when a reporting change basis has been made. Assume that a taxpayer wishes to make a change effective with the reporting month of April, 1999. Under the "wash-out" procedure, it should calculate the unpaid taxable accounts receivable on its books as of the end of the last business day (March 31, 1999) prior to the first of the month (April 1, 1999) changeover from the gross sales (accrual) to the gross receipts basis. The taxpayer should then consider all taxable receipts on account to be receipts on which the tax has already been paid (on a sales basis prior to the changeover) until such time as those receipts equal the total of the taxable accounts receivable that it had previously calculated on March 31, 1999 (the day prior to the changeover). Once that point is reached, all subsequent receipts (even those from sales prior to the changeover) should be reported as taxable receipts.

While this Department will authorize such a method of changing to the receipts basis of reporting if we are notified as set forth above, we reserve our right to inspect and audit the books and records of the taxpayer to verify that bad debts, charitable and other exempt transactions have not been double deducted.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of the enclosed copy of Section 1200.110(b).

Very truly yours,

Melanie A. Jarvis  
Associate Counsel

MAJ:msk  
Enc.